"A Study on Performance Appraisal and its impact on employee motivation in the Pharmaceutical Industry with reference to Solan District (H.P.) "

A Synopsis submitted for the award of degree of

DOCTOR OF PHILOSOPHY

In

MANAGEMENT

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SOLAN, H.P., INDIA

September, 2024

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Introduction

A process through which a company's human resource department assesses employee performance is known as performance appraisal. This process provides a framework for identifying an employee's strengths and weaknesses in relation to their job performance. The appraisal system evaluates an employee's contributions to the company and determines appropriate rewards and recognition for their hard work and commitment. The process, often referred to as employee capability assessment, evaluates how well an employee can perform their job and identifies any deficiencies. These deficiencies can be addressed through training and development. It is a systematic, periodic, and fair method of evaluating a worker's performance in their current role while also indicating their potential for future assignments. This assessment highlights the effectiveness of an employee in fulfilling their job responsibilities and meeting the company's requirements. Here, performance refers to the level of achievement in the tasks that comprise an individual's role. The performance appraisal system is a continuous process within every company, providing essential insights for various decisions, including salary increments, transfers, promotions, bonuses, and training plans. A company must recognize that the performance appraisal process is incomplete without delivering information about a worker's strengths and weaknesses. Workers should also be aware of this feedback, as it is crucial for improving their performance. The discussion between a superior and their subordinates regarding performance, tasks, and behaviour over a specific period is known as performance appraisal counselling. Many times, the appraisal process is irregular and lacks a systematic approach. Personal influences often affect how it is conducted, stemming from the company's reliance on a confidential appraisal system that undermines fairness and purpose. Frequently, the company's management objectives and critical incidents are overlooked, and this outdated approach negatively impacts employee performance Obisi, (2011).

Concept of performance appraisal

Performance appraisal serves as a tool for the company to evaluate its employees against established performance standards. This system enhances employee performance, boosts productivity, improves the quality of work, and encourages a positive attitude toward their roles. Therefore, an effective performance management system is crucial for the company's top management Sharma, (2014).

Latest developments and approaches in performance appraisal system

S.No	Areas of development
1	Focusing the appraisal system on development instead of controlling
2	Using an open agreement-based approach
3	Evaluating performances countering behavioral standards, and capabilities
4	Drawing feedback of performance from co-workers and juniors
5	Relating the outcome of the appraisal to pay schemes related to performance
6	Minimizing paperwork and increasing process ownership
7	Focusing the process on potential of workers instead of skills deficiencies

Table.1

Performance reviews are important for employee motivation. However, they do have their problems: They must be an ongoing process and must be fair to everyone. Trying to do this regularly can be difficult; personal habits can distort the meter.

Performance appraisal in pharmaceutical companies : an overview

The system of performance appraisal is well structured and is a formal interaction between managers and their employees and is usually a type of periodic interview, which can be conducted semi-annually or annually. In this interview, the performance of an employee is examined and discussed in an open interview and the goal of an interview is to identify the strong points and weak points of an employee and it also provides an opportunity to bring improvement in the performance and development of skills. This system is applied in order to find out the best and skilled performers of the company, the system also increases the salary packages and provide other benefits to the employee to make them satisfied with their jobs and motivate them to increase their productivity. However, many times, employees are found to be not satisfied with the evaluation of their performance and dissatisfied with the job as well. Generally, the system of performance appraisal is not being taken seriously by the employers as well as by the management related to the decision-making tool. If at all these practices are practiced then these are not well structured and official. In most cases, the management and owners of the companies play dominating roles. The rating or decisions like transfer, promotions, demotions, training and developments, or even terminations given by them are the final ones without any discussion with the employees Narware,(2011)

To understand the process of performance appraisal better a study was conducted in the pharmaceutical companies of Bangladesh and GlaxoSmithKline Ltd. In the present highly competitive market, the competitive advantage of the companies does not just lie in the differentiation of a product

or service but also in becoming the cost leader in the market, and the company must also identify their core competencies and special skills. These, talented and skilled workers of the company are now being considered as an asset of the company. Particularly in pharmaceutical companies' knowledge and expertise are very essential. In order to have skilled and talented workers recruitment, selection, and training of employees is very essential and for that human resource department plays an important role in the company. The performance appraisal system of GlaxoSmithKline could be considered as the role model for many other companies, particularly the international standards that are applied in their system Zaman, (2011)

Pharmaceutical Industry in Himachal Pradesh

In the last decade and a half, the pharmaceutical industry of the state of Himachal Pradesh has grown by leaps and bounds. In order to attract investment and generate employment in the State, New Industrial policy for Himachal Pradesh was introduced on 7th January, 2003 for a period of ten year i.e. till 6th January, 2013. Subsequently, the Industrial Policy of 2004 was announced by Government of Himachal Pradesh which intended to focus upon specific micro factors affecting the overall investment climate in the State such as technology up gradation, quality improvement and productivity etc. so that industrial units set up in the State can effectively compete and keep pace with global standards (Department of Industries, Government of Himachal Pradesh, 2004). One of the major beneficiaries of these incentives has been the pharmaceutical industry in the State that has seen unprecedented growth after the year 2004-05. Consequentially, Himachal Pradesh was the fourth largest contributor to the Pharmaceutical output of Indiain the year 2016- 17 with a share of 10.27 percent. Within the State, Pharmaceuticals, Medicinal Chemical and Botanical Products contribute to the maximum industrial output produced in the State as of year 2016-17. Small towns in Himachal Pradesh like Baddi and Paonta Sahib are being called as Pharmaceutical capitals of India due to the increasing concentration of pharmaceutical firms in these areas (India Brand Equity Foundation, 2010). Despite growing relevance of Himachal Pradesh as a Pharmaceutical Manufacturing hub, not much research has been carried out on the growth and productivity of the pharmaceutical industry and factors affecting the same in Himachal Pradesh.

The present study is an attempt to provide an insight into the growth and productivity of the pharmaceutical industry of Himachal Pradesh, in light of significant changes occurring in the Indian Pharmaceutical industry in the recent years Solan district, nestled in the serene hills of Himachal Pradesh, harbours approx. 378 pharmaceutical companies includes solan baddi, parwanoo and nalagarh as per DIC office of District solan (HP) .

Contributing significantly to the regional economy and healthcare landscape. However, the effectiveness and impact of performance appraisal systems within these pharmaceutical firms remain relatively unexplored. This synopsis aims to outline a comprehensive study that delves into the intricacies of performance appraisal systems implemented in selected pharmaceutical companies within solan district HP. The study intends to unravel the dynamic of appraisal processes, ascertain their alignment with organizational goals, and evaluate their efficacy in fostering employee development and organizational success. The rationale behind this study stems from the recognition of the pivotal role played by performance appraisal systems in shaping employee behaviour, motivation, and performance outcomes. In the context of the pharmaceutical industry, characterized by rapid technological advancements, stringent regulatory frameworks, and intense market competition, an effective appraisal system becomes imperative for nurturing talent, driving innovation, and sustaining competitive advantage.

Moreover, Solan district, with its unique socio-cultural milieu and geographical features, presents a compelling setting for examining the contextual factors influencing the design, implementation, and outcomes of performance appraisal systems within pharmaceutical companies. By scrutinizing these systems through a localized lens, this study aims to unearth insights that are not only theoretically enriching but also practically relevant for enhancing organizational effectiveness and employee satisfaction within the pharmaceutical sector of Solan district. The important and the main reason of undertaking this research study are to understand the performance appraisal system of employees working in Pharmaceutical Industry of Solan District Himachal Pradesh in a deeper way. This study helps in understanding the relationship between organizational performance and performance appraisal system in the organization as it helps in identifying ways and means for employee's development, working competence and productivity so that the required strategic training and development programs can be developed in order to equip employees with necessary skill set The main dimensions in the performance appraisal are motivation and the opportunity which are correlated. The employee must be having the opportunity to grab and the motivation to complete the given task which will lead to the ability of the employee to grabit and to be motivated to perform his own ability in the organisation and give the performance.

Employee Motivation

Employee motivation is an intrinsic and internal drive to put forth the necessary effort and action towards work-related activities. It has been broadly defined as the "psychological forces that determine the direction of a person's behaviour in an organization, a person's level of effort and a person's level of persistence" Also, "Motivation can be thought of as the willingness to expend energy to achieve a goal or a reward. Motivation at work has been defined as 'the sum of the processes that

influence the arousal, direction, and maintenance of behaviors relevant to work settings'. "Motivated employees are essential to the success of an organization as motivated employees are generally more productive at the work place.

Theories of motivation

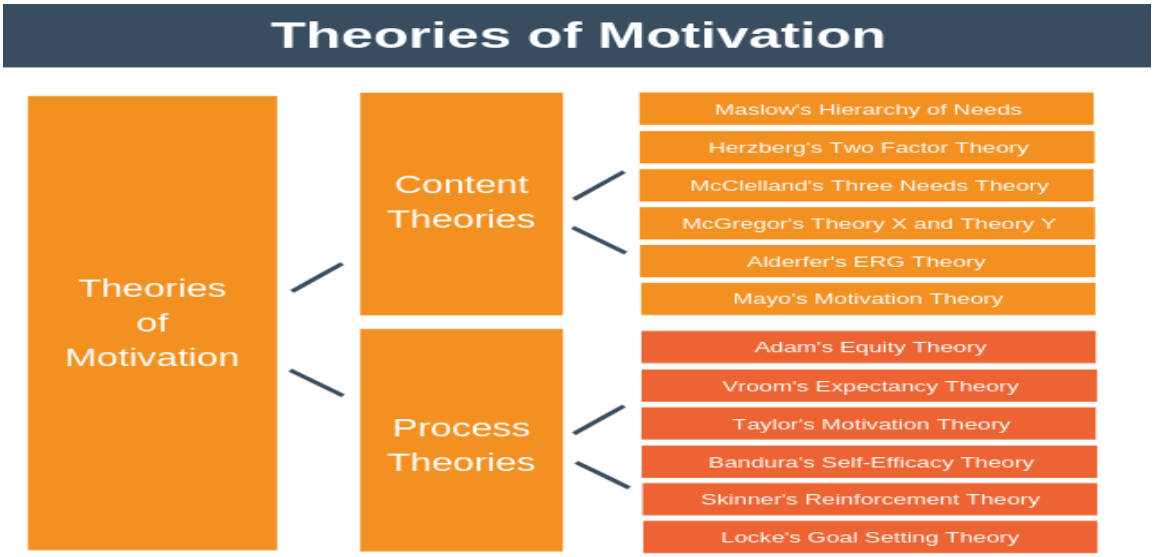
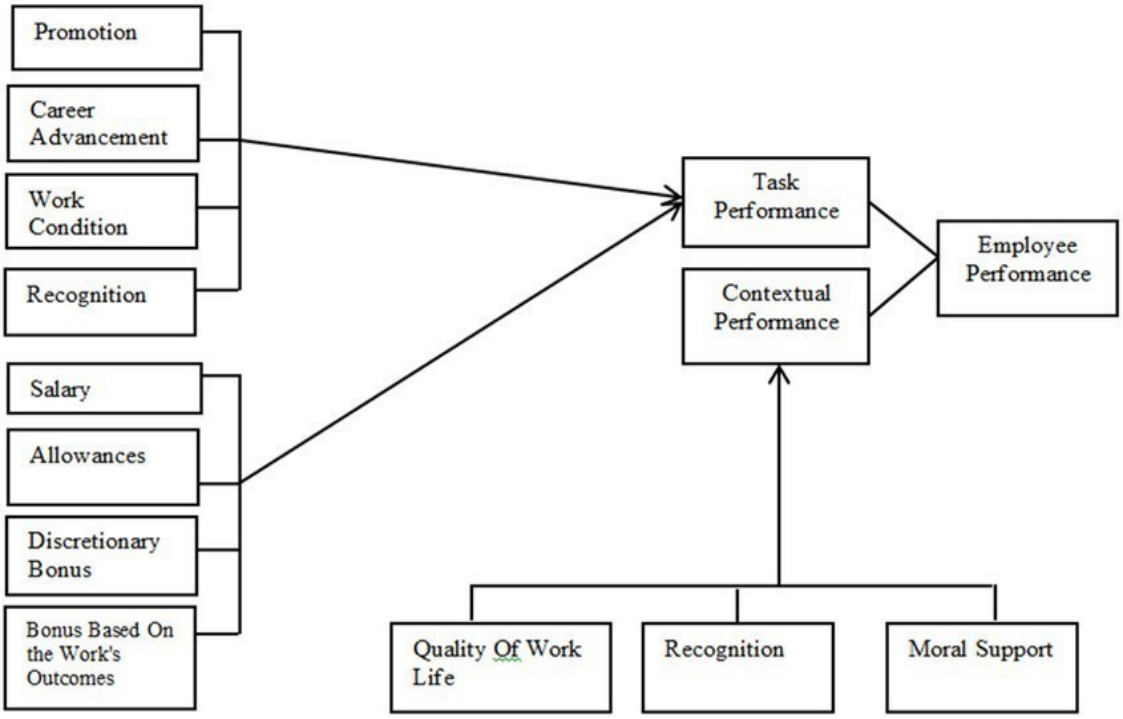


Figure.1

Content theories: Content models of motivation focus on the "whats" of motivation. More specifically they focus on the different things that people may feel they need in their lives. The theory is that people's motivations will be based on acquiring the things that they think they need. Thus, by understanding their wants and needs, you can understand why and how people are motivated. The content model school of motivation theory is the older of the two schools. Content models are currently very popular in management and leadership training and the world of work.

Process theories: Process theories of motivation focus on the "hows" of motivation. Instead of focusing on what people need, these models focus on the psychological and behavioral processes that humans follow. By understanding these processes it's possible to understand the actions, interactions and contexts that motivate individuals' behaviors. The process school of motivation is the newer of the two schools. These process models are influencing leadership and management theory more and more.

Conceptual Model for the Impact of performance appraisal on employee motivation



Conceptual Framework on motivation and employee performance Source: Razak, Sarpan and Ramlan (2018), Bashir, Amir, Jawaad & Hasan (2020), Michaelsen and Esch (2021), Rivaldo (2021), Afolabi, Essien, and Ogunsola (2022).

Figure.2

Michaelsen & Esch, (2021); Rivaldo, (2021) are of the position that employees require constant motivation in order to perform their duties effectively and efficiently. In the case of, motivation is associated with promotion, career advancement, work condition, moral support, recognition, remuneration, allowances, discretionary bonus and bonus based on the work's outcomes. These are perceived to have implication on the task and contextual performance of employee

Review of Literature

Herbert h. Meyer and William b. Walker(1968) examined the tendency to take constructive action based on a performance appraisal discussion, but also with attitudes toward the salary plan and performance appraisal would indicate that any steps taken to upgrade the quality of these appraisal interviews would have a decided impact on the success of the merit-pay salary plan, and especially on the performance appraisal program as an integral part of the plan **Szilagy & Wallace (1990)** in addition will develop both organizational and individual capabilities and reach agreement on areas where performance needs on the effectiveness of its employee generating information which influences many of the organizations decision **Robert D. Bretz, George Milkovich,, & Walter Read, (1992)** Organizations are similar; organizations vary in size, nature of product, technology used, competition and markets; all such factors have an influence on the practices of performance appraisals. Even the fortune 100 companies can be classified on different basis and the performance appraisal practices vary from company to company. Most of the companies report informal way to solve internal disputes. Managers find 'fairness' as the most common issue while conducting the process of Performance Appraisal. Managers are also very much concerned about the process of performance appraisal because it may have an effect on the future performance. **Hind, P., et al. (1997)** suggested that gender differences in the evaluation of such systems may be detected. Gender variances were found in the cognitive bases of employee work-oriented attitudes and these factors were replicated through various measures of perceptions of the utility and significance of formal organizational appraisal systems. Altogether, the results indicated that males and females use different information bases when evaluating performance appraisal systems(PAS) **Rubina and Saifuddin (1998)** assessed the employee performance appraisal practices of the IFIC Bank. They identified some problems related to the performance appraisal system of the surveyed bank such as trait based appraisal, excessive focus on past performance, and confidentiality in appraisal process that kept appraises uninformed about their performance **Wright, (2001)** Employee motivation is the level of dedication, zeal, and creativity that a company's staff exhibits while at work. It's crucial but challenging to measure; maintaining and enhancing motivation in the workplace can be a challenge for many companies as not every task will be interesting. As a result, businesses must find ways to keep their employees engaged while also monitoring and fostering motivation Brady (2001) examined the job performance of Principals in California. Researcher reported that the length of years in current position relates to Principals perceived job performance and overall job satisfaction. Brady theorized that Principals who stayed in their current position the longest most likely stayed due to high job satisfaction and perceived job performance. **Hodgetts (2002)** categorizes a four- step process of the

performance appraisal system. Performance appraisal systems comprises of established performance standards, a method of determining individual performance, comparison against standards and an evaluation of performance based on the comparison. The first step of establishing performance standards outlines the employees' job responsibilities. The job standards are set against employees' performance. The second step involves pegging the worker performance (such as traits approach, behavioral approach, ranking methods, alternation ranking, and results methods, productivity measures, 360 degrees' evaluation and Management by Objectives (MBO). Thirdly, there is comparison against standards. At some point, the individual work record it compared with the standards set for the job. Fourth, an evaluation of performance is made pegged on the comparison **Mani, B. G. (2002)** showed that a large proportion of employees, but no supervisors, are dissatisfied with the system; that neither the number of subordinates nor the time spent on evaluating employees under the system affects supervisors' satisfaction with the system; and that employees' perceptions of the fairness of the system are related to trust and satisfaction with their supervisors but not compliance with the program procedures. Although, the various factors that motivate employees and supervisors, pay is very important. So, the legislature's failure to appropriate funds to reward employees who excel disables the system's effectiveness. **Myaskovsky et al. (2005)** examined the separate and combined impact of gender composition and training method on both the performance and interpersonal behaviors exhibited in small work groups. Results indicated that groups whose members were trained together took longer to assemble their radio and made more errors than those trained apart. No performance differences were found between the mixed gender and the same gender groups. **Roos (2005)** studied the relationship between employee motivation, job satisfaction and corporate culture. The scholar found that demographic variables namely, age, gender, tenure, education level and seniority of employees showed influence on employee motivation, job satisfaction and corporate culture**. Rue and Byars, (2005) ,** Performance appraisal is a process is described as a way of determining and communicating how the employees do their jobs and coming up with a plan for improving the process of carrying out work responsibilities Performance appraisal is essential as it gives updates on the performance of the employees; it identifies training needs and come up with plans for employee development **Smita Chattopadhyay and Gupta (2005)** conducted a study on the impact of life stages and career stages on employee job performance. Scholars are of opinion that there is a significant impact of life stages (age) as well as career stages of employees on their performance**. Armstrong (2006)** describe the role of the performance appraisal as a tool for looking forward to what need to be done by people in the organization in order to achieve the purpose of the job to meet new challenges. Better use of technology skills and attributes **Kuvaas, B. (2006)** showed that performance appraisal satisfaction was directly related to turnover intention and affective commitment. The

relationship between various aspects such as performance appraisal, satisfaction, and work performance, however, was both mediated and moderated by an employees' intrinsic work motivation. The form of moderation showed a negative relationship for employees with low intrinsic motivation and a positive relationship for those with high intrinsic motivation (Livy, 2007). The performance appraisal has some shortcoming in it and is actually creating some discrepancy in the process, then it will affect the motivational level of the employees and ultimately it will affect their efforts and the risk taking ideas for the betterment of the organization. Also they will lose interest in the affairs of the organization **Chenhall & Langfield-Smith (2007**) was of the opinion that if the performance appraisal has certain shortcomings, it will create discrepancies in the process which will affect the motivation level o f the employees. The study highlighted that if such shortcomings exist in the performance appraisal process, the employees will lose interest in the organization and will be demotivated with lack o f loyalty andwanting to change their job. **Padmaja, Alaganandan., & Nagpal, Gopal. (2008, May 9).** Forced, Fixed or Fit. Economic Times. This article highlights that despite importance of Performance Management System, it continues to be viewed as unresponsive to individual sources of motivation & they do not seem to be explicitly aligned to achieving organizational goals, which misalignment needs to be addressed. It further states that in an economy, alignment matters for two reasons. First, because, it is possible to build performance management systems that are responsive to both business goals and to personal aspirations. Second, this nurturing of harmony opens up great possibility for individual and company potential to get realized. The article on the whole focuses on (1) Conserving time in performance planning & evaluation (2) Conserving energies by focus on vital goals and alignment (3) Unlocking energies and talent (4) Folly of fixed, forced fits – Boards of the companies have to take ownership of the performance management process by asking questions like – Are the goals fair? – Can we also reward work on a 'best efforts' basis, rather than only on outcomes, so that initiative and motivation do not get squashed. **Selvarajan and Cloninger (2008)** suggest that some organizations are dissatisfied with their performance appraisal process. This implies that the performance Appraisal process is not an appropriate mechanism for addressing employee motivation. But performance appraisal is considered to be essential to create a positive effect work environment and improve the quality of service. **Vasset, Marnburg, & Furunes, (2011**) There are a number of different options concerning who should evaluation individual employee, and the decision needs to be based on a series of factors. Traditionally, it has been the sole responsibility of managers or supervisors to assess performance. However, other organizational members (such as clients, co-workers and subordinates) can be valuable source of information as they are likely to have exposure to different aspects of an employee's performance. Collecting information from multiple sources can increase the accuracy of performance evaluation (can reduce bias) and

increase employee's perceptions of fairness. **Mossamod Maahmunda Parvin, MMNuru Kabir (2011).** Performance appraisal focuses on the relative importance of job satisfaction factors and the impacts on the overall job satisfaction of the employees the salary deficiency in work supervision and coworkers relation of the most important factors contributed to the job satisfaction guide the employees to communicate effectively build a good interpersonal environment with then the company to improve fairness in the company's and create satisfactory performance appraisal system in the organisation **Ochoti, George Ndemo, et.al.(2012),** "Factors Influencing Employee Performance Appraisal System: A Case of the Ministry of State for Provincial Administration & Internal Security, Kenya" the authors focused the regression analysis model for performance appraisal. The study concludes that all the five variables investigated that include the implementation process, rater and ratee interpersonal relationship, psychometric rater accuracy, informational factors and employee attitudes all influence the PAS(Performance Appraisal System). The factors under these variables have shown the influence of the implementation process of the PAS (Performance Appraisal System) and the quality of treatment that the ratee receives in the hands of the rater. It has also been shown that elimination of rating errors increases system efficiency. Communication between the rater and ratee is crucial as understands the employee attitudes towards the PAS (Performance Appraisal System). **Mahdi and Malihe (2012)** examined the effect of performance appraisal procedures on the intrinsic motivation of employees, identified that a performance appraisal process is considered effective only when it provides necessary feed back to the employees and keeping them motivated. **Sandeep Kumar Joshi (2012)** Performance management system of organization the different sector then the employees will also be needing the types of training and development needed in the industry to cope up with the employees so as to identify the different training and development needs needed by the employees in the organization **SheetalMarawar (2013)** .In performance appraisal system the new technique 360 degree feedback must also be implemented as it is multi faced system which helps to evaluate the self confidence, is a problem solver with the peers and control the deviations **Dr.Sjansirani, Mr R. Hatrikrishnan , Mrs . Jayakani (2013)** While framing the parameters in the ranking method the performance appraisal the authorities must be very much authoratative and techniques used for the appraisal are very traditional and the modern techniques must also be implemented as they are formed for the good prospect and increases the awareness among the employees which leads to increased the productivity of the employees in the organization **P Suresh Dr M Akbar Mohideen(2013)** Performance appraisal increases the confidence level of employees and the capabilities to work for the organization it is necessary to implement a suitable system of a formal evaluation in the business and also applying of motivation mechanisms and paying attention to the motivation level of employees **Iqbal, NaveedAhmad, Zeeshan Haider , Yumna Batool , & Qurat-ul-ain , August (2013)** There

is a significant relationship between the performance of the employees and performance appraisal. Motivation factor acts as the moderator between performance of the employees and performance appraisal. Motivation strengthens the relationship between the two **Abbas, M. Z. (2014)** resulted that the employees have a fair perception about the performance appraisal. It also revealed that the respondents think their performance appraisal outcomes are accurate and significant towards employee performance. In addition to that, the study outcomes also remember that performance appraisal impacts the performance level of employees in organizations **Mahurashenhan (2014)** explained that a significant simultaneous and longitudinal relationship between HRM practices and specific performance indicators are found. Potential for reverse causality does not eliminate the significant relationship between human resource practices and performance. He result also reveals that the use of human resource practices is found to positively enhance sustained competitive advantage. **Vinay Chaitnaya Ganta (2014) .**Motivation is the most satisfied aspect which is provided by the appraisal system. It helps in meeting the personal goals , increases efficiency and improves the workplace stability of the employees in the organization **Chiranjeevi Gudala Narayan Rao (2014) .**The evaluation of the performance is an essential aspects in regard with the DEA model because it is been regarded as the outputs in return to the inputs given by the employees but the efficiency model is not much effective in implementation in the organization. **D.B.Bagul (2014) .**performance appraisal is a system without personal biases and should maintain the equality among the employees in the organization and also the new methods must also be implemented as 360 degree appraisal organization **Dr. Mita Mehtal, Aarti Kurbetti RavneetaDhankar(2014)** The organizations must be conducting the "stay" and "exit " interviews so as to know why the employee chose to leave the organization this will strengthen their employee retention strategies and the employees must also be provided with the quality work life so as to maintain the quality of professional life and personal life together **Mehta (2014)** undertook a study on the relationship between performance appraisal and motivation among the employees of cooperative bank of Nagpur. The findings of the study shows that the employees are aware about the performance appraisal system followed in their organization, but they strongly believe that the type of performance appraisal followed in the organization and its transparency influences the motivational level of the employees **Sanjeet Singh, Gagan Deep Singh, HaramdeepKaur (2014).**Performance appraisal bring out effective results its leads to effective decision making training , compensation which effect both the organization and helps to increase the productivity as there is great effect of the performance appraisal on the organization and the employees **Mathew and Johnson (2015)** stated in their study that there is a positive relationship between PA (performance appraisal), employee performance and work motivation. They asserted that a good performance appraisal system should improve the work performance that will ultimately lead to organizational success **Shivli Jindal**

,Laveena and Navneet (2015) The employee performance throughout the year and the appraisal which provide the perks and rewards leads them in achieving the desired goals of the organization **Ushus Mathew ,Dr.Johney Johnson(2015)** There is a significant relationship between performance and motivation .There is always a high work performance due to the satisfaction and the motivation the hospital appraisal system provided to the staff members **NongmaithemRobindro Singh , BiniamKassa (2016)** The effectiveness of implementing HR practices in the university have a major impact Towards Organizational performance, compensation , Recruitment and selection which provide the highest impact to the university **Jain & Gautam, (2016).** An attempt was made to identify the employee's understanding of the system of PA and define the perception of workers of PA system in their organization, and a favorable attitude is found towards the performance management system. Even the negative response of employees about the PA system does not agree with the view like saying performance management system is all about controlling people. Those employees whose managers support them and value their opinion is easily able to unlock their potential as they know that their opinion will be counted. One of the negative parts of the study is some of the employees feel that the PA system is unable to develop their careers. Thus, it is the responsibility of the managers to focus on the difficult areas **Dr Sabnam Johan , (2016)**, the most important factors that contribute to employee satisfaction and consequently to their dedication and good performance, also increasing the retention rate are: appropriate leadership and human resources practices, interesting and challenging work, opportunities for career development, constructive feedback, recognition and respect etc **Dilawari, (2016)** For the employees to make them understand what and how they must do the work and give feedback for an effective appraisal system. During the PA process personal likes and dislikes must be ignored to make the program more effective as a motivational tool to understand one's capabilities and potential organizations **Mufeed&Showkat, (2017).** The future of performance management would include more place for feedback and the importance of the development of employees and the organization. And as the employees would become more efficient at their work it would be beneficial for both **Eliphas, Mulongo, & Razia, (2017).** Though according to employees, training and development activities are essential for their development and better performance on the job, they found that the methods of training and development are not as effective. The reason behind it was the training and development program was not designed as per the performance of an individual. Furthermore, the promotion of employees must be based on their performances and achievement of their individual work targets **Aydın, A., et al. (2018)** said that the effect of performance appraisal (PA) on employee motivation and productivity was quite high. In other words, performance appraisal was found to be a key factor in employee motivation and productivity. The present study is expected to assist managers and decision-makers in selecting suitable motivating factors to retain and satisfy their employees.

Islami, Mulolli & Mustafa (2018) studied the Management by Objective (MBO) method of performance appraisal on employee satisfaction and motivation levels. MBO is a performance appraisal method where the supervisor and subordinate jointly develop and agree upon objectives that the employee needs to achieve. The study found that employees are motivated to work towards achieving the objectives that was agreed upon. Employees also have clarity on what is expected from them. The study also found that employees are more productive when they know that their performance will be evaluated and good performance will be rewarded. **Idowu, (2019).** General research was undertaken to apprehend the attitude of employees in the context of PA system of the company, and it is found to be positive, it is also found that the employees of higher age group do not consider rewards equal to the efforts that they are putting in achieving their goals. Such an attitude of employees suggests that the employees of high age group are targeting promotions ad high salaries as a motivating factor for them to give their best efforts at work. Additionally, the attitude is that the system of performance appraisal must be used for the purpose of development. Indirectly, the workers in this department are more exposed to the difficult evaluation system. Thus, their attitude towards the assessment system is negative performance and understanding their capabilities to give them the opportunity to rise is **Speer, A. B., et al (2020)** explained that the Performance Appraisal Motivation Scale (PAMS) exhibited acceptable internal structure and displayed, expected way of relationships with individual difference variables, situational variables, other rater motives, and rating results. Altogether, results provided evidence in support of PAMS' construct validity. The findings also assist to establish empirical linkages between rater motivations and their important variables within the homological network of rater motivation. **Ledum, Onuoha, & Eke, (2020)** A study was conducted to analyze employees' perceptions with reference to the implementation of a performance appraisal system. Though the system of performance appraisal has been implemented in various organizations long ago this study was the first attempt the evaluation of employee's perceptions of the PA system. The overall outcome of the study shows that employees' expectation regarding the performance assessment is positive **Rahman, (2021).** From the observations and hypothesis testing of the study it is found that most of the workers are happy with the present PA system in their company. Employees were found to be self- satisfied with their current profile of job, salary structure, and work conditions in the company. Employees are satisfied and happy with their colleagues, managers, and supervisors and the flexible work hours that are given to them at the workplace. Most of the employees feel that they have a lot of opportunities for growth and success in their organization **Bhanawat, Kumari, & Sankar, (2021).** Analysis of employees based on their the adequate method to improve their career opportunities. The work has a deep focus on the operative functioning of HR Management department to evaluate their work with reference to the performance management system of the company. The

purpose of this work is to evaluate the stage of awareness, the level of satisfaction, and the influence of performance assessment system on the performance of. **Deepti kiran&Gurleen kaur,(2023)**, The system of appraisal judges what an employee is doing for the company and what a company give them in return as an appreciation for their good work and the dedication they have shown towards their job and company.

Statement of Problem

Employee engagement and working standards are new issues emerging in organizations and are very important. Performance appraisal systems have been implemented in the organization but lack of proper appraisal has led to employee dissatisfaction and consequently reduced employee engagement. This situation often occurs when employees have desire and interest but lack motivation. It becomes frustrating when employees want to do something but can't find the energy to do it. It is important to motivate employees to work in the right direction After an extensive review of the literature on this topic, I have found that detailed studies on this topic have not been carried out by any researcher in the pharmaceutical sector in the Solan district. Baddi is known as Asia's largest pharmaceutical hub where top pharmaceutical industries have manufacturing facilities. It brings my curiosity to do research on this topic, particularly in the Pharma sector. Very limited research has been carried out by previous researchers on this topic. The district of Solan in Himachal Pradesh (HP) hosts a significant number of pharmaceutical companies, making it a pertinent region for examining the impact of performance appraisal systems on employee motivation. Despite the critical nature of this relationship, there is limited empirical research specifically focused on this geographic and industrial context. This study aims to fill this gap by investigating how current performance appraisal systems in pharmaceutical companies in Solan district influence employee motivation. By doing so, it seeks to identify strengths and weaknesses in the existing appraisal processes and provide recommendations for enhancing their effectiveness in motivating employee

It bring my curiosity to do research to find out the gap if any exist in the appraisal system prevailing in the pharmaceutical industry, solan district is witnessed with asia’s largest pharma hub where all top notch companies doing business. This is the reason I have choosen pharmaceutical industry as a sector and performance appraisal as a topic for my research Performance appraisal plays very important role in motivation of the employ and finally the productivity of the individual and organisation as a whole

Research Objectives

The study has already explored this topic much earlier but in addition to the existing research this study particular aims at the following objectives-

1 To determine the factors affecting the Performance appraisal system in the Pharmaceutical Industry.

2 To find out the relationship between the factors affecting Performance Appraisal and Employee Motivation

3 To Identify the most preferred methods of appraisal used in the pharmaceutical industry

Research Methodology

Research is an investigative process that requires gathering valuable information;

Source of data collection

1. **Primary Data Sources**: Primary data would be collected from the employees working in the pharmaceutical industry in Himachal Pradesh with the help of direct personal interviews, observations, discussions, and questionnaire.
2. **Secondary Data Sources**: A variety of sources, including company reports, books, journals, articles, magazines, websites, and libraries, would be used to gather secondary data. This would facilitate the collection of copious amounts of data. Additionally, a pilot survey would be conducted. This would assist in obtaining information regarding the questionnaire's shortcomings and streamlining its wording.

Tools for the study

Numerous statistical and mathematical methods, such as percentages, mean, standard deviation, skewness, kurtosis, chi-square test, factor analysis, zero-order correlation, ANOVA, etc., would be used to analyze the data gathered from the questionnaire.

Statistical Tools: These would also be used to analyze the data.

Arithmetic mean: The arithmetic mean, commonly known as the average, is a measure of central tendency that is calculated by summing a set of values and then dividing by the number of values in the set. It is one of the most widely used measures to determine the central point of a data set.

Standard deviation: The most used dispersion tool is the standard deviation, which is often represented by the symbol "σ". The average square of the deviations' square root is what it is. It shows how far the group of scores is on average from the mean. A small standard deviation indicates a high level of observational uniformity.

Chi-square test: It is a test used to compare observed data with the expected data. It describes the magnitude of discrepancy between observed frequencies and expected frequencies. Its value is always positive.

Factor analysis: Factor analysis technique helps in data reduction. It is the technique used to group variables into factors based on the correlation between variables and these factors so determined are treated as new variables. These new variables are given names.

Analysis of Variance: ANOVA is the technique used for testing the differences among the means of population by examining the amount of variation within each of these samples, relative to the amount

of variation within each of these samples.

Any other statistical tool required to achieve the objectives of the research.

Sample Design:- A specific strategy for selecting a sample from the sampling frame is known as a sample design. Before any data is gathered, the sample design is decided. It describes the method or process the researcher would use to choose a few sampling units from which conclusions about the population are made. The current pharmaceutical industry workers of the various businesses in the Solan District will participate in this planned research study as respondents.

Sample size -378 companies

Sampling Technique :- Simple Random Technique

Sample Pharmaceutical Industry

Research Design

Exploratory Research – Because the researcher knows very little about the topic being studied, this research will prove to be the most advantageous to the researcher. As a result, this study will be qualitative, which helps to test the theory.

Sample Size Calculation

It would be limited to Solan District of Himachal Pradesh. For this purpose, the data regarding the number of pharmaceutical industries in District Solan have been collected from SWCA Solan, SWCA Parwanoo, SWCA Baddi and SWCA Nalagarh.

Number of Pharmaceutical firms registered under the DIC offices of District Solan HP:

S. No.	**Office in District Solan in HP**	**Number of Registered Pharmaceutical Firms**
1.	SWCA Solan	59
2.	SWCA Parwanoo	15
3.	SWCA Baddi	255
4.	SWCA Nalagarh	49
	Total	**378**

Source: Data as per information provided by Member Secretary of concerned SWCA offices via email.

Table .2

Cochran's Formula 1977 for Finite Population

Cochran's formula, developed by William G. Cochran in 1977, is a widely used statistical method for determining sample sizes from a finite population.

$$n_{0.} = \frac{z^2 p(1-p)}{e^2}$$

where:

1. n_0= the required sample size (if the population were infinite)
   Z= the Z-value (the number of standard deviations from the mean, corresponding to the desired confidence level)
2. p = the estimated proportion of an attribute that is present in the population
3. 1−p (the proportion of an attribute that is not present in the population)
4. e = the desired level of precision (the margin of error)

However, when dealing with a finite population, the sample size n_0 calculated above needs to be. adjusted. The adjustment is done using the following formula:

$$n = \frac{n_0}{1 + \frac{n_0}{N}}$$

where: n = the adjusted sample size for the finite population

N = the size of the population

Z^2	Z Score	1.96	3.84
	Confidence Interval	95%	$\{(1.96)^2\}$
	Alpha divided by 2 (1-Confidence level)/ 2)		

Table .3

P		0.5
Error		0.05
Population Size		22428
A	n_0	384.14
B	1+ (n_0/ population size)	1.017
Sample Size (A/B)		378

Non- Respondent Sample (Sample Size * 5%)	18.88385224
Final Sample Size (Sample Size + Non- Respondent Sample)	397

Table.4 showing sample size of number of companies.

S.No.	Place of Units	No. of Companies	No. of Employees	Sample Size	No. of Companies
1	Baddi	255	16775	300	20 Companies (20*15=300)
2	Parwanoo	15	1136	24	2 Companies (2*12=24)
3	Nalagarh	49	2199	36	3 Companies (3*12=36)
4	Solan	59	2318	40	5 companies (5*8=40)
Total		378	22428	400	

Source: Data as provided by DIC office Nalagarh, DIC Office Baddi, DIC office Parwanoo and DIC Office Solan.

S.No.	Place of Units	No. of Employees	Ratio	Multiplying sample of 400 in ratio obtained	Sample Size
1	Baddi	16775	16775/22428=0.75	0.75* 400	300
2	Parwanoo	1136	1136/22428= 0.06	0.06*400	24
3	Nalagarh	2199	2199/22428=0.09	0.09*400	36
4	Solan	2318	2318/22428=0.10	0.10*400	40
		22428			400

Table.5 showing sample size of number of employees from selected companies.

Source: Data as provided by DIC office Nalagarh, DIC Office Baddi, DIC office Parwanoo and DIC Office Solan.

Variables used for the study

Factors affecting Performance Appraisal in the pharmaceutical companies in solan district Himachal Pradesh

Dependent Variable	Independent Variable
Performance. Appraisal	Employee satisfaction Employees Productivity Employees Enrichment Work life balance Work Environment Training and Development Employee Engagement Company culture Communication skill Team work

Table .9

Factors affecting Employee Motivation in the pharmaceutical companies in solan district Himachal Pradesh

Dependent Variable	Independent Variable
Employee Motivation	Salary and Incentives Flexible work environment Promotion Recognizing achievements An effective appraisal system Profit sharing Advancement opportunities Job security

Table.10

Proposed Hypothesis:

Hypothesis 1

H1: There is significant relationship between factors affecting performance appraisal and employees motivation

H0: There is no significant relationship between factors affecting performance appraisal and employees motivation

Hypothesis 2

H1: There is significant relationship between the factors affecting performance appraisal and performance appraisal methods

H0: There is no significant relationship between the factors affecting performance appraisal and performance appraisal methods

Hypothesis 3

H1: There is significant impact of performance appraisal on employee productivity

H0: : There is no significant impact of performance appraisal on employee productivity

Hypothesis 4

H1 Performance appraisal system has significant positive impact on the work performance of the employee.

H0: Performance appraisal system has no significant positive impact on the work performance of the employee

Hypothesis 5

H1: Motivation has significant positive impact on the work performance of the employee.

H0: Motivation has no significant positive impact on the work performance of the employee.

Scope of the study

The study will be geographically limited to this district solan Himachal Pradesh, focusing on pharmaceutical companies operating within this region. For this purpose, data regarding the number of drug trade in Solan district was collected from Himachal Pradesh CDSCO online portal. The research will concentrate on firms within the pharmaceutical sector. This includes manufacturers, suppliers, and related businesses operating in Solan. The study examine how different companies within the pharmaceutical industry implement and manage their performance appraisal systems and focus on understanding how these appraisal systems impact employee motivation, engagement, and satisfaction. The study will involve employees at various levels and managers who are responsible for performance appraisal which include both large pharmaceutical companies and smaller, local firms within the district. By defining this scope, the study aims to provide actionable insights specific to the pharmaceutical industry in District Solan, offering valuable recommendations for improving performance appraisals and enhancing employee motivation within this regional context.

This study will help in policy decision making with respect to appraisal in pharmaceutical industry

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Tentative Scheme of Chapterization

Chapter	Topic
	List of Tables
	List of Figures
	List of Abbreviations
1	**Introduction**
2	**Review of Literature**
3	**Research Methodology**
4	**Analysis of data**
5	**Conclusion and Suggestion**
	Bibliography
	Appendices